

Charter Township of Emmett Calhoun County, Michigan

**Financial Report
with Supplemental Information
March 31, 2008**

Charter Township of Emmett

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Independent Auditor's Report

To the Township Board
Charter Township of Emmett
Calhoun County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Emmett as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Emmett's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Emmett as of March 31, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

June 11, 2008

Charter Township of Emmett

Management's Discussion and Analysis

Our discussion and analysis of the Charter Township of Emmett's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2008. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2008:

- 2007-2008 was an especially challenging year, due to a series of events and projects, coupled with the poor economy. Combined, they have created the perfect economic storm and have placed significant challenges in front of us. The Township's financial situation continues to mirror the overall stifled economy in the state of Michigan and is yet worsened given the high unemployment rate and extraordinarily sluggish metropolitan economy. The Charter Township of Emmett has fared well in comparison to other local governments due to steady growth, but the growth has tapered to a near standstill.
- The Township continues to struggle with satisfying the costs of employee healthcare benefits. Facing a staggering rate increase in 2008, the Township initiated a partial self-insured program by raising deductibles and co-pays and reimbursing these additional out-of-pocket costs and co-pays directly, just to contain costs. General property and liability insurance rates have risen as well just like any other insurable entity. The major increases in heating and automobile fuel during our fiscal year placed us in an extraordinarily bad position, with little choice but to absorb the costs. Overall, Township-wide expenditures were within expected parameters, but a couple nonwork related injuries (and corresponding medical leaves) within the Public Safety Department required reallocation of resources, thus driving overtime well above the expected. On the General Fund side, a major Tax Tribunal case drove up the higher than normal reimbursements required and the County Drain Commission levied more assessments than was ever expected. These factors alone were another \$40,000 of unanticipated expense.
- Most shocking for the Township was the nonperformance of real and personal property tax revenues. A government can only "project" the taxable values at the end of the tax year and the fourth quarter decline in values and lack of sales (and corresponding uncapping of value) hit us hard and accounted for almost \$42,000 of lost revenue. The economy also had a major impact on the number of building trade permit revenues. While a high percentage of those fees has corresponding expenses for inspectors that are down, a finite percentage of those expected fees is dedicated to maintaining the building department administrative infrastructure.

Charter Township of Emmett

Management's Discussion and Analysis (Continued)

- The Township's tax base is experiencing zero growth due to the economy. For the first time in 20 plus years, property taxes will generate less revenue in the upcoming year than the current year. The Township tax base growth continues to be stifled by the "yet to be built" casino. We have experienced some moderate interest in property development related to the casino, but with a summer 2009 opening, the serious ones are still testing the waters because they have time. We suspect that when work actually begins on the casino this spring, we will see a renewed level of inquiries and even development.
- The Township board continued to try to maintain the current level of service to the residents by relying more on our reserve funds, but the reduction in the fund balances has reached an end. Overall the departmental expenditures were close to the target, but lack of expected revenues is at the heart of our problems this year. The Township board, during the deliberations and preparation for the upcoming budget year, has specified a significantly tapered-down spending plan. It was acknowledged that this scaled-down budget may not be enough, but our final audited 2007-2008 financials may require further cuts. The next cuts would have to be made in personnel and major programs. A comprehensive mid-year budget performance review will be required to drive the decisions to deal with this.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a long-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

Charter Township of Emmett

Management's Discussion and Analysis (Continued)

The Township as a Whole

The following table shows, in a condensed format, the net assets as of the current date and prior year as required by GASB 34 stated under the full accrual basis:

	Governmental Activities			Business-type Activities			Total		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
Assets									
Capital assets	\$ 660,421	\$ 687,548	\$ 788,399	\$ 11,477,890	\$ 11,897,658	\$ 12,268,560	\$ 12,138,311	\$ 12,585,206	\$ 13,056,959
Other assets	<u>1,875,185</u>	<u>2,008,725</u>	<u>1,967,428</u>	<u>2,774,390</u>	<u>2,407,024</u>	<u>2,634,132</u>	<u>4,649,575</u>	<u>4,415,749</u>	<u>4,601,560</u>
Total assets	2,535,606	2,696,273	2,755,827	14,252,280	14,304,682	14,902,692	16,787,886	17,000,955	17,658,519
Liabilities									
Current liabilities	316,469	267,675	284,172	203,583	207,598	212,032	520,052	475,273	496,204
Long-term liabilities	<u>1,060,000</u>	<u>1,226,193</u>	<u>1,398,143</u>	<u>2,350,000</u>	<u>2,500,000</u>	<u>2,650,000</u>	<u>3,410,000</u>	<u>3,726,193</u>	<u>4,048,143</u>
Total liabilities	<u>1,376,469</u>	<u>1,493,868</u>	<u>1,682,315</u>	<u>2,553,583</u>	<u>2,707,598</u>	<u>2,862,032</u>	<u>3,930,052</u>	<u>4,201,466</u>	<u>4,544,347</u>
Net Assets									
Invested in capital assets -									
Net of related debt	612,511	574,556	607,808	8,977,890	9,247,658	9,468,560	9,590,401	9,822,214	10,076,368
Restricted	112,300	144,718	1,165,000	-	-	-	112,300	144,718	1,165,000
Unrestricted, as restated (Note 1)	<u>434,326</u>	<u>483,131</u>	<u>(699,296)</u>	<u>2,720,807</u>	<u>2,349,426</u>	<u>2,572,100</u>	<u>3,155,133</u>	<u>2,832,557</u>	<u>1,872,804</u>
Total net assets	<u>\$ 1,159,137</u>	<u>\$ 1,202,405</u>	<u>\$ 1,073,512</u>	<u>\$ 11,698,697</u>	<u>\$ 11,597,084</u>	<u>\$ 12,040,660</u>	<u>\$ 12,857,834</u>	<u>\$ 12,799,489</u>	<u>\$ 13,114,172</u>

Charter Township of Emmett

Management's Discussion and Analysis (Continued)

The following table shows the changes of the net assets as of the current date and prior year as required by GASB 34 stated under the full accrual basis:

	Governmental Activities			Business-type Activities			Total		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
Revenue									
Program revenue - Charges for services	\$ 197,487	\$ 349,600	\$ 273,013	\$ 130,438	\$ 104,234	\$ 774,718	\$ 327,925	\$ 453,834	\$ 1,047,731
Capital grants and contributions	179,941	85,238	-	538,742	49,496	132,000	718,683	134,734	132,000
General revenue:									
Property taxes	1,708,648	1,647,437	1,583,996	-	-	-	1,708,648	1,647,437	1,583,996
State-shared revenue	880,101	1,120,826	925,445	-	-	-	880,101	1,120,826	925,445
Unrestricted investment earnings	91,601	75,402	67,477	128,342	127,418	125,477	219,943	202,820	192,954
Franchise fees	36,125	33,909	43,617	-	-	-	36,125	33,909	43,617
Transfers and other revenue	112,052	112,372	59,355	(50,000)	(30,000)	-	62,052	82,372	59,355
Total revenue	3,205,955	3,424,784	2,952,903	747,522	251,148	1,032,195	3,953,477	3,675,932	3,985,098
Program Expenses									
General government	657,237	684,159	557,772	-	-	-	657,237	684,159	557,772
Public safety	2,322,718	2,350,063	2,267,512	-	-	-	2,322,718	2,350,063	2,267,512
Roads, highways, and street lights	185,601	176,144	140,325	-	-	-	185,601	176,144	140,325
Cemetery	30,106	29,533	27,402	-	-	-	30,106	29,533	27,402
Water and sewer	-	-	-	645,909	694,724	1,247,494	645,909	694,724	1,247,494
Interest on long-term debt	53,561	55,992	61,303	-	-	-	53,561	55,992	61,303
Total program expenses	3,249,223	3,295,891	3,054,314	645,909	694,724	1,247,494	3,895,132	3,990,615	4,301,808
Change in Net Assets	\$ (43,268)	\$ 128,893	\$ (101,411)	\$ 101,613	\$ (443,576)	\$ (215,299)	\$ 58,345	\$ (314,683)	\$ (316,710)

Charter Township of Emmett

Management's Discussion and Analysis (Continued)

Governmental Activities

The decrease of approximately \$43,000 in 2008 in the Township's governmental activities net assets is lower compared to the increase in 2007 of approximately \$129,000. Revenue decreased 6.4 percent from the prior year and expenses decreased 1.4 percent.

Business-type Activities

The Township's business-type activities consist of the Water and Sewer Fund. We provide water and sewage treatment to residents through the City of Battle Creek. The increase in net assets for the Water and Sewer Fund of approximately \$101,600 is significantly higher compared to the prior year loss of approximately \$443,600. This is due largely to the \$539,000 special assessment revenue recognized in 2008.

There were no major infrastructure improvements during the fiscal year, but a major water and sewer system development project agreement was made between the Township and the Firekeepers Development Authority (FDA). Planning stages have been underway since November 2007 and construction is set to begin in the summer of 2008. The cost of the entire infrastructure is being paid by the FDA, which will be turning the system over to the Township when completed.

An extraordinary amount of Township staffing has been dedicated to this cooperative venture and the Township will be receiving up to \$75,000 of reimbursable expenses. The period for reimbursable expenses began in December 2007 and the first invoice was issued to the FDA in February 2008. The invoice is outstanding at this time, but the delay was attributed to a delay in closing on the finance package (for the FDA). These reimbursable expenses have been covered by the Water and Sewer Fund. The Water and Sewer Fund had adequate cash reserves to bridge this short waiting period and fiscal year 2008-2009 will see revenue to offset them.

The Township executed a sales option with a major landowner to acquire the parcel where the new water tower will be located on 11 Mile Road. While the Township executed the option in January, the sale will not be closed until fiscal year 2008-2009. The fair market value of approximately \$75,000 for the land will be satisfied with credits to be applied to new water and or sewer connections within the district.

The Township's Funds

Our analysis of the Township's major funds begins on page 10, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2008 include the General Fund, the Public Safety Fund, the Public Safety Special Revenue Fund, the Project #5 Fund, and the Water and Sewer Fund.

Charter Township of Emmett

Management's Discussion and Analysis (Continued)

The General Fund pays for most of the Township's governmental services. The Public Safety Fund incurred expenses of approximately \$1,856,000 for police and fire protection in 2008. Public safety is partially supported by a special millage and a transfer from the General Fund. The amount transferred from the General Fund amounted to approximately \$872,000.

General Fund Budgetary Highlights

Over the course of the year, the Township amended the budget to take into account events during the year. The variances in expected revenue and expenditures continue to erode our cash position and place our liquidity in a precarious position. The overall economy, coupled with the aforementioned factors, will affect future services without significant improvement. The most significant changes to the General Fund were an increase to the current road assessments revenue by approximately \$55,000 from the original to the amended budget, and the corresponding \$51,000 increase to the roads - improvements expenditure. Additionally, licenses and permit revenues decreased approximately \$79,000 from the original to the amended budget, and there was a \$36,000 decrease to public safety expenditures.

Capital Asset and Debt Administration

During the year ended March 31, 2008, there were approximately \$159,000 of capital asset purchases, but no new debt was issued.

Economic Factors and Next Year's Budgets and Rates

The Township's staff and board are burdened with a lack of meaningful, real-time accounting information necessary to accurately identify financial trends and conditions throughout the fiscal year. These accounting inefficiencies include outdated and/or underutilized software and the staff lacks professional guidance. These inefficiencies must be addressed and corrected this fiscal year so that administrators can accurately develop and track a budget and have a true picture of the Township's financial condition on any day, not just at the completion of the annual audit.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

Charter Township of Emmett

Statement of Net Assets March 31, 2008

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Assets			
Cash and investments (Note 3)	\$ 1,070,345	\$ 1,938,971	\$ 3,009,316
Receivables - Net (Note 4)	656,594	890,353	1,546,947
Internal balances	54,934	(54,934)	-
Due from other governmental units	22,601	-	22,601
Bond issuance costs	70,711	-	70,711
Capital assets - Net (Note 5)	660,421	11,477,890	12,138,311
Total assets	2,535,606	14,252,280	16,787,886
Liabilities			
Accounts payable	114,464	53,583	168,047
Accrued interest	16,029	-	16,029
Deferred revenue (Note 4)	23,066	-	23,066
Noncurrent liabilities (Note 7):			
Due within one year	162,910	150,000	312,910
Due in more than one year	1,060,000	2,350,000	3,410,000
Total liabilities	1,376,469	2,553,583	3,930,052
Net Assets			
Invested in capital assets - Net of related debt	612,511	8,977,890	9,590,401
Restricted - Fire fleet	112,300	-	112,300
Unrestricted	434,326	2,720,807	3,155,133
Total net assets	<u>\$ 1,159,137</u>	<u>\$ 11,698,697</u>	<u>\$ 12,857,834</u>

Charter Township of Emmett

Statement of Activities Year Ended March 31, 2008

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Capital Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 657,237	\$ 98,893	\$ -	\$ (558,344)	\$ -	\$ (558,344)
Public safety	2,322,718	92,047	83,534	(2,147,137)	-	(2,147,137)
Roads, highways, and street lights	185,601	-	96,407	(89,194)	-	(89,194)
Cemetery	30,106	6,547	-	(23,559)	-	(23,559)
Interest on long-term debt	53,561	-	-	(53,561)	-	(53,561)
Total governmental activities	3,249,223	197,487	179,941	(2,871,795)	-	(2,871,795)
Business-type activities - Water and sewer	645,909	130,438	538,742	-	23,271	23,271
Total primary government	\$ 3,895,132	\$ 327,925	\$ 718,683	(2,871,795)	23,271	(2,848,524)
General revenues:						
Property taxes				1,708,648	-	1,708,648
State-shared revenues				880,101	-	880,101
Unrestricted investment earnings				91,601	128,342	219,943
Franchise fees				36,125	-	36,125
Miscellaneous				62,052	-	62,052
Transfers				50,000	(50,000)	-
Total general revenues				2,828,527	78,342	2,906,869
Increase (Decrease) in Net Assets				(43,268)	101,613	58,345
Net Assets - Beginning of year, as restated (Note 1)				1,202,405	11,597,084	12,799,489
Net Assets - End of year				\$ 1,159,137	\$ 11,698,697	\$ 12,857,834

The Notes to Financial Statements are an
Integral Part of this Statement.

Charter Township of Emmett

Governmental Funds Balance Sheet March 31, 2008

	General	Public Safety	Public Safety Special Revenue	Project #5 Sewer and Water	Nonmajor Governmental Fund - Bradford Water	Total Governmental Funds
Assets						
Cash and investments	\$ 99,585	\$ 35,141	\$ 280,594	\$ 639,825	\$ 15,200	\$ 1,070,345
Receivables - Net	226,778	93,303	37,077	201,848	33,495	592,501
Due from other funds	141,152	-	-	-	-	141,152
Due from other governmental units	5,772	16,829	-	-	-	22,601
Total assets	<u>\$ 473,287</u>	<u>\$ 145,273</u>	<u>\$ 317,671</u>	<u>\$ 841,673</u>	<u>\$ 48,695</u>	<u>\$ 1,826,599</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 56,610	\$ 55,365	\$ 2,489	\$ -	\$ -	\$ 114,464
Due to other funds	-	66,842	16,869	-	2,507	86,218
Deferred revenue	-	23,066	-	201,828	33,495	258,389
Total liabilities	56,610	145,273	19,358	201,828	36,002	459,071
Fund Balances						
Reserved:						
Fire fleet	-	-	112,300	-	-	112,300
Debt service	-	-	-	639,845	-	639,845
Unreserved, reported in:						
General Fund	416,677	-	-	-	-	416,677
Special Revenue Funds	-	-	186,013	-	-	186,013
Debt Service Funds	-	-	-	-	12,693	12,693
Total fund balances	<u>416,677</u>	<u>-</u>	<u>298,313</u>	<u>639,845</u>	<u>12,693</u>	<u>1,367,528</u>
Total liabilities and fund balances	<u>\$ 473,287</u>	<u>\$ 145,273</u>	<u>\$ 317,671</u>	<u>\$ 841,673</u>	<u>\$ 48,695</u>	
Amounts reported for governmental activities in the statement of net assets are different because:						
Capital assets used in governmental activities are not financial resources and are not reported in the funds						660,421
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures						235,323
State-shared revenue receivable is not reported in the funds until collected or collected within 60 days of year end.						64,093
Accrued interest						(16,029)
Bond issuance costs						70,711
Long-term liabilities are not due and payable in the current period and are not reported in the funds						(1,222,910)
Net assets of governmental activities						<u>\$ 1,159,137</u>

Charter Township of Emmett

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2008

	General	Public Safety	Public Safety Special Revenue	Project #5 Sewer and Water	Nonmajor Governmental Fund - Bradford Water	Total Governmental Funds
Revenue						
Property taxes	\$ 584,878	\$ 811,131	\$ 312,639	\$ -	\$ -	\$ 1,708,648
Special assessments	68,733	-	-	61,539	15,889	146,161
Licenses and permits	81,606	-	-	-	-	81,606
State-shared revenues and grants	870,508	12,236	-	-	-	882,744
Charges for services	58,055	8,266	-	-	-	66,321
Fines and forfeitures	1,904	83,781	-	-	-	85,685
Interest and rentals	31,998	-	6,611	48,396	4,596	91,601
Other	7,527	49,474	1,440	3,611	-	62,052
Total revenue	1,705,209	964,888	320,690	113,546	20,485	3,124,818
Expenditures - Current						
General government	547,846	-	-	-	-	547,846
Public safety	127,145	1,856,190	243,822	-	-	2,227,157
Roads, highways, and street lights	185,601	-	-	-	-	185,601
Cemetery	30,106	-	-	-	-	30,106
Other	87,237	-	-	225	400	87,862
Debt service:						
Principal	-	-	65,082	75,000	35,000	175,082
Interest	-	-	5,991	40,719	7,788	54,498
Total expenditures	977,935	1,856,190	314,895	115,944	43,188	3,308,152
Excess (Deficiency) of Revenue Over Expenditures	727,274	(891,302)	5,795	(2,398)	(22,703)	(183,334)
Other Financing Sources (Uses)						
Transfers in	50,000	872,211	-	-	-	922,211
Transfers out	(872,211)	-	-	-	-	(872,211)
Total other financing sources (uses)	(822,211)	872,211	-	-	-	50,000
Net Change in Fund Balances	(94,937)	(19,091)	5,795	(2,398)	(22,703)	(133,334)
Fund Balances - Beginning of year, as restated (Note 1)	511,614	19,091	292,518	642,243	35,396	1,500,862
Fund Balances - End of year	<u>\$ 416,677</u>	<u>\$ -</u>	<u>\$ 298,313</u>	<u>\$ 639,845</u>	<u>\$ 12,693</u>	<u>\$ 1,367,528</u>

Charter Township of Emmett

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended March 31, 2008

Net Change in Fund Balances - Total Governmental Funds \$ (133,334)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Additions	158,655
Asset disposals	(3,996)
Depreciation and amortization	(188,215)

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end (49,754)

State-shared revenues are recorded in the statement of activities when the revenues are earned; they are not reported in the funds until collected or collectible within 60 days of year end (2,643)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 175,082

Decrease in accrued interest is reported on the statement of activities, but not on the governmental funds 937

Change in Net Assets of Governmental Activities \$ (43,268)

Charter Township of Emmett

Proprietary Funds Statement of Net Assets March 31, 2008

	Enterprise Fund - Water and Sewer
Assets	
Current assets:	
Cash and cash equivalents	\$ 1,938,971
Receivables - Net	<u>890,353</u>
Total current assets	2,829,324
Noncurrent assets - Capital assets	<u>11,477,890</u>
Total assets	14,307,214
Liabilities	
Current liabilities:	
Accounts payable	53,583
Due to other funds	54,934
Current portion of long-term debt	150,000
Noncurrent liabilities - Long-term debt - Net of current portion	<u>2,350,000</u>
Total liabilities	<u>2,608,517</u>
Net Assets	
Investment in capital assets - Net of related debt	8,977,890
Unrestricted	<u>2,720,807</u>
Total net assets	<u><u>\$ 11,698,697</u></u>

Charter Township of Emmett

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended March 31, 2008

	Enterprise Fund - Water and Sewer
Operating Revenue - Charges for services	\$ 130,438
Operating Expenses	
Depreciation	425,471
Other	91,019
Total operating expenses	516,490
Operating Loss	(386,052)
Nonoperating Revenue (Expense)	
Investment income	51,576
Interest income on special assessments	76,766
Interest expense	(129,419)
Loss - Before transfers and contributions	(387,129)
Transfers to Other Funds	(50,000)
Capital Contributions - Special assessments	538,742
Change in Net Assets	101,613
Net Assets - Beginning of year	11,597,084
Net Assets - End of year	<u><u>\$ 11,698,697</u></u>

Charter Township of Emmett

Proprietary Funds Statement of Cash Flows Year Ended March 31, 2008

	Enterprise Fund - Water and Sewer
Cash Flows from Operating Activities	
Receipts from customers	\$ 120,156
Payments to suppliers	(12,591)
Payments to employees	<u>(30,092)</u>
Net cash provided by operating activities	77,473
Cash Flows from Noncapital Financing Activities - Transfers to other funds	(50,000)
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	(5,703)
Collection of customer assessments (principal and interest)	829,684
Principal and interest paid on capital debt	<u>(279,419)</u>
Net cash provided by capital and related financing activities	544,562
Cash Flows from Investing Activities - Interest received on investments	<u>51,576</u>
Net Increase in Cash and Cash Equivalents	623,611
Cash and Cash Equivalents - Beginning of year	<u>1,315,360</u>
Cash and Cash Equivalents - End of year	<u><u>\$ 1,938,971</u></u>
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (386,052)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization	425,471
Changes in assets and liabilities:	
Receivables	(10,282)
Interfund balances	52,351
Accounts payable	<u>(4,015)</u>
Net cash provided by operating activities	<u><u>\$ 77,473</u></u>

There were no noncash transactions during the year.

Charter Township of Emmett

Notes to Financial Statements March 31, 2008

Note I - Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Emmett (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township of Emmett:

Reporting Entity

The Charter Township of Emmett is governed by an elected seven-member board of trustees. The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing relationships. In accordance with generally accepted accounting principles, there are no component units to be included in these financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Charter Township of Emmett

Notes to Financial Statements March 31, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures relating to claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund. General Fund activities are financed by revenue from general property taxes, state-shared revenue, and other sources.

Public Safety Fund - The Public Safety Fund is used to account for two property tax millages. One millage is restricted for public safety operational expenditures and the second millage is designated for grant retention and personnel costs.

Public Safety Special Revenue Fund - The Public Safety Special Revenue Fund is used to account for the proceeds of a property tax millage for the purchase of public safety (police cars and fire trucks), apparatus, equipment, and buildings (stations) as well as for the maintenance thereof.

Charter Township of Emmett

Notes to Financial Statements March 31, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Project #5 Sewer and Water Project Fund - The Project #5 Sewer and Water Project Fund is used to account for the earmarked revenue and annual payment of principal, interest, and expenses in connection with Project #5 properties.

The Township reports the following major proprietary fund:

Water and Sewer Operations Fund - The Water and Sewer Operations Fund is used to account for the results of operations that provide a service to Township residents that are financed primarily by a user charge for the provision of that service. The service is provided to the Township through a contract with the City of Battle Creek. The original contract with the City of Battle Creek states that it shall continue in full force and effect for an indefinite period of time, which shall be not less than a period of 40 years.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary fund relates to amounts remitted by the City of Battle Creek based on a percentage of user charges collected from Township residents. Operating expenses for the proprietary fund include regulatory expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Township's policy is to first apply restricted resources.

Property Tax Revenue

Property taxes are levied on December 1 each year on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

Charter Township of Emmett

Notes to Financial Statements March 31, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

The Township's 2007 tax is levied and collectible on December 1, 2007 and is recognized as revenue in the year ended March 31, 2008, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2007 taxable valuation of the Township totaled \$336 million, on which taxes levied consisted of .8432 mills for operating purposes, .8553 mills for public safety, 1.00 mills for public safety equipment, 1.6824 mills for additional public safety, and .5948 mills for street lights. This resulted in approximately \$282,000 for operating, approximately \$285,000 for public safety, approximately \$313,000 for public safety equipment, approximately \$526,000 for additional public safety, approximately \$129,000 for street lights, and approximately \$174,000 in administration fees and penalties. These amounts are recognized in the respective General and Special Revenue Funds financial statements as tax revenue.

The Township annually sells its delinquent real property taxes to the County, which then becomes responsible for collecting the taxes and taking any uncollected tax parcels through the tax reversion process. The County purchases these taxes at 100 percent of face value, and in return the County is allowed to retain all interest and penalties it collects. The estimated present value of the future delinquent collections to the Township is less than the face value that has been received, because of the time value of money; however, the net present value to the County is greater than this amount, because of the statutory provision that allows the County to retain all penalties and interest. During the current year, the Township received approximately \$192,000 from this sale. At the end of the tax reversion process (approximately three years), the County charges the Township back for any uncollected taxes. Historically, this amount has not been significant.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Charter Township of Emmett

Notes to Financial Statements March 31, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Water and sewer distribution systems	50 years
Buildings and building improvements	40 to 50 years
Vehicles	3 to 5 years
Other tools and equipment	3 to 7 years

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Charter Township of Emmett

Notes to Financial Statements March 31, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Restatement of Beginning Net Assets and Beginning Fund Balance - Beginning of year net assets and fund balance have been restated for governmental activities and the General Fund to account for state-shared revenue of \$137,450 and \$204,186, respectively, earned in 2007, but not reported.

Fund Balance - Beginning of year, as originally reported	\$ 374,164
State-shared revenue receivable	<u>137,450</u>
Fund Balance - Beginning of year, as adjusted	<u><u>\$ 511,614</u></u>
Net Assets - Beginning of year, as originally reported	\$ 998,219
State-shared revenue receivable	<u>204,186</u>
Net Assets - Beginning of year, as adjusted	<u><u>\$ 1,202,405</u></u>

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall at April 1, 2007	\$ (145,193)
Current year building permit revenue	70,670
Related expenses:	
Direct costs	(80,691)
Estimated indirect costs	<u>(19,630)</u>
Total construction code expenses	<u>(100,321)</u>
Net deficit at March 31, 2008	<u><u>\$ (174,844)</u></u>

Noncompliance - The Public Safety Fund amended budget creates a fund deficit as of March 31, 2008, which is prohibited by the Uniform Budgeting and Accounting Act (Public Act 2 of 1968, as amended by Public Act 621 of 1978). In addition, the General Fund, Public Safety Fund, and Public Safety Special Revenue Fund budgets were all amended after the fiscal year, which is also prohibited by the Uniform Budgeting and Accounting Act (Public Act 2 of 1968, as amended by Public Act 621 of 1978).

Charter Township of Emmett

Notes to Financial Statements March 31, 2008

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated two banks for the deposit of its funds. The investment policy adopted by the Township includes all investments allowed by Public Act 196 of 1997. The Township is in compliance with the policy. The Township's cash and investments are subject to two types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$2,596,658 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Maturity Date
U.S. Treasury notes	\$ 54,510	10/15/2008
U.S. Treasury notes	87,338	10/15/2009
U.S. Treasury notes	84,356	9/15/2010
U.S. Treasury notes	92,199	9/30/2011
U.S. Treasury notes	96,602	8/31/2012
U.S. Treasury notes	98,002	8/15/2013

Charter Township of Emmett

Notes to Financial Statements March 31, 2008

Note 4 - Receivables

Receivables as of year end for the Township's individual major funds and nonmajor funds are as follows:

	General Fund	Public Safety Fund	Public Safety Special Revenue Fund	Project #5 Fund	Bradford Water Fund	Governmental Activities Total	Business -type Activities - Water and Sewer Fund	Total
Receivables:								
Taxes	\$ 62,259	\$ 93,303	\$ 37,077	\$ -	\$ -	\$ 192,639	\$ -	\$ 192,639
Special assessments	-	-	-	201,828	33,495	235,323	-	235,323
Customer	-	-	-	-	-	-	890,353	890,353
Interest and other	<u>228,612</u>	<u>-</u>	<u>-</u>	<u>20</u>	<u>-</u>	<u>228,632</u>	<u>-</u>	<u>228,632</u>
Net receivables	<u>\$ 290,871</u>	<u>\$ 93,303</u>	<u>\$ 37,077</u>	<u>\$ 201,848</u>	<u>\$ 33,495</u>	<u>\$ 656,594</u>	<u>\$ 890,353</u>	<u>\$ 1,546,947</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Special assessments	\$ 235,323	\$ -
Grant received prior to meeting all eligibility requirements	<u>-</u>	<u>23,066</u>
Total	<u>\$ 235,323</u>	<u>\$ 23,066</u>

Charter Township of Emmett

Notes to Financial Statements March 31, 2008

Note 5 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Balance April 1, 2007	Additions	Disposals	Balance March 31, 2008
Governmental Activities				
Capital assets being depreciated:				
Buildings and improvements	\$ 1,687,137	\$ -	\$ -	\$ 1,687,137
Vehicles	1,374,157	41,080	102,976	1,312,261
Other tools and equipment	787,033	96,973	81,620	802,386
Construction in progress	-	20,602	-	20,602
Subtotal	3,848,327	158,655	184,596	3,822,386
Accumulated depreciation:				
Buildings and improvements	1,601,853	7,933	-	1,609,786
Vehicles	1,185,254	61,948	99,768	1,147,434
Other tools and equipment	373,672	111,905	80,832	404,745
Subtotal	3,160,779	181,786	180,600	3,161,965
Net capital assets being depreciated	<u>\$ 687,548</u>	<u>\$ (23,131)</u>	<u>\$ 3,996</u>	<u>\$ 660,421</u>
Business-type Activities				
Capital assets being depreciated:				
Water and sewer distribution systems	\$ 21,253,201	\$ 5,703	\$ -	\$ 21,258,904
Other tools and equipment	49,929	-	-	49,929
Subtotal	21,303,130	5,703	-	21,308,833
Accumulated depreciation:				
Water and sewer distribution systems	9,360,189	425,161	-	9,785,350
Other tools and equipment	45,283	310	-	45,593
Subtotal	9,405,472	425,471	-	9,830,943
Net capital assets being depreciated	<u>\$ 11,897,658</u>	<u>\$ (419,768)</u>	<u>\$ -</u>	<u>\$ 11,477,890</u>

Charter Township of Emmett

Notes to Financial Statements March 31, 2008

Note 5 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 14,419
Public safety	<u>167,367</u>
Total governmental activities	<u>\$ 181,786</u>
Business-type activities - Water and sewer	<u>\$ 425,471</u>

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue - Public Safety	\$ 16,869
General Fund	Debt Service - Bradford Water	2,507
General Fund	Special Revenue - Public Safety	66,842
General Fund	Enterprise - Water and Sewer	<u>54,934</u>
	Total	<u>\$ 141,152</u>

These balances result from the time lag between the dates that goods and services are provided and reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Special Revenue - Public Safety	\$ 872,211
Enterprise - Water and Sewer	General Fund	<u>50,000</u>
Total		<u>\$ 922,211</u>

The transfer from the General Fund to the Public Safety Fund was to cover a portion of public safety expenditures. The transfer from the Enterprise-Water and Sewer Fund to the General Fund was to cover certain administrative expenditures.

Charter Township of Emmett

Notes to Financial Statements March 31, 2008

Note 7 - Long-term Debt

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
General obligation bonds:							
Sanitary Sewer Refunding bonds:							
Amount of issue - \$1,260,000							
Maturing through 2018	3.0% - 4.0%	\$75,000 - \$115,000	\$ 1,135,000	\$ -	\$ (75,000)	\$ 1,060,000	\$ 80,000
Special assessment bonds:							
Amount of issue - \$420,000							
Maturing through 2010	5.80% - 6.0%	\$35,000 - \$40,000	150,000	-	(35,000)	115,000	35,000
Installment purchase agreements:							
<u>Police vehicle</u>							
Amount of issue - \$75,681							
Maturing through 2008	5.40%	\$19,391	19,391	-	(19,391)	-	-
<u>Police vehicle</u>							
Amount of issue - \$187,789							
Maturing through 2009	5.15%	\$45,691 - \$47,910	93,601	-	(45,691)	47,910	47,910
Total governmental activities			<u>\$ 1,397,992</u>	<u>\$ -</u>	<u>\$ (175,082)</u>	<u>\$ 1,222,910</u>	<u>\$ 162,910</u>
Business-type Activities							
Special assessment bonds - Calhoun County Sanitary Bonds							
Amount of issue - \$3,265,000							
Maturing through 2021	4.75% - 6.75%	\$150,000 - \$200,000	<u>\$ 2,650,000</u>	<u>\$ -</u>	<u>\$ (150,000)</u>	<u>\$ 2,500,000</u>	<u>\$ 150,000</u>

Charter Township of Emmett

Notes to Financial Statements March 31, 2008

Note 7 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 162,910	\$ 46,928	\$ 209,838	\$ 150,000	123,513	\$ 273,513
2010	125,000	39,648	164,648	150,000	113,388	263,388
2011	125,000	34,612	159,612	150,000	103,262	253,262
2012	90,000	30,650	120,650	150,000	94,225	244,225
2013	90,000	27,613	117,613	175,000	86,094	261,094
2014-2018	515,000	84,950	599,950	725,000	303,406	1,028,406
2019-2022	115,000	4,600	119,600	1,000,000	76,000	1,076,000
Total	\$ 1,222,910	\$ 269,001	\$ 1,491,911	\$ 2,500,000	\$ 899,888	\$ 3,399,888

Note 8 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for medical benefits and workers' compensation claims and participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to property loss. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

Note 9 - Retirement Plans

Defined Contribution Retirement Plan

The Township provides pension benefits to all of its full-time union employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to join the plan on January 1 of each year. As established by the Township board, the Township contributes up to a 5 percent match of employees' gross earnings and employees contribute to the plan to the extent they wish to defer compensation. In accordance with these requirements, the Township contributed approximately \$10,000 and employee contributions were approximately \$11,000.

Charter Township of Emmett

Notes to Financial Statements March 31, 2008

Note 9 - Retirement Plans (Continued)

Defined Benefit Retirement Plan

Plan Description - The Charter Township participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the Township. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the Township's competitive bargaining units and requires a contribution from the employees of 7.89 percent and 6.27 percent of gross wages for general and police and fire employees, respectively. The employees are required to contribute the percentage difference between the employer maximum contribution and the percentage necessary to fund the MERS plan. This was 5.30 percent for police and 13.48 percent for all other participants for the year ended March 31, 2008.

Annual Pension Cost - For the year ended March 31, 2008, the Township's annual pension cost of approximately \$164,000 (\$76,000 employer and \$88,000 employee) for the plan was equal to the Township's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return assuming 4.5 percent per year inflation, (b) projected salary increases of 4.5 percent per year based on inflation, and (c) additional projected salary increases of 0 percent to 4.5 percent per year, based on age-related scale to reflect merit, longevity, and promotional increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis.

Charter Township of Emmett

Notes to Financial Statements March 31, 2008

Note 9 - Retirement Plans (Continued)

Three year-trend information is as follows:

	Fiscal Year Ended March 31		
	2008	2007	2006
Annual pension cost	\$ 76,024	\$ 71,627	\$ 69,046
Percentage of APC contributed	100%	100%	100%

	Actuarial Valuation as of December 31		
	2006	2005	2004
Actuarial value of assets	\$ 1,904,075	\$ 1,718,409	\$ 1,579,442
Actuarial accrued liability	\$ 2,533,557	\$ 2,295,845	\$ 2,123,735
Unfunded AAL	\$ 629,482	\$ 577,436	\$ 544,293
Funded ratio	75.00%	75.00%	74.00%
Covered payroll	\$ 1,077,516	\$ 1,049,510	\$ 1,008,681
UAAL as a percentage of covered payroll	58.42%	55.02%	53.96%

Required Supplemental Information

Charter Township of Emmett

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Taxes:				
Operating	\$ 289,897	\$ 281,897	\$ 281,897	\$ -
Street lights	122,393	129,393	129,393	-
Trailer fees	1,983	1,983	1,971	(12)
Administration fees	170,136	166,000	165,824	(176)
Penalties and miscellaneous	9,000	5,793	5,793	-
Total taxes	593,409	585,066	584,878	(188)
Current road assessments	-	54,916	68,733	13,817
State sources	875,400	875,857	870,508	(5,349)
Licenses and permits:				
Registration fees	1,100	265	265	-
Building permits	80,000	36,350	36,323	(27)
Electrical permits	24,000	11,125	11,125	-
Plumbing permits	18,000	9,380	9,380	-
Mechanical permits	20,000	13,842	13,842	-
Zoning and planning	5,000	1,800	1,800	-
Junk yard licenses	4,400	4,461	4,461	-
Plan review fees	4,200	3,265	3,265	-
Lot split fees	1,250	-	-	-
Land division fees	2,500	1,200	1,145	(55)
Total licenses and permits	160,450	81,688	81,606	(82)
Charges for services:				
Printed materials	450	251	251	-
Cemetery lots/Open close/Foundations	5,500	6,525	6,547	22
Rebate - Summer taxes	15,132	15,132	15,132	-
Cable TV - Franchise	35,000	36,125	36,125	-
Total charges for services	56,082	58,033	58,055	22
Fines and forfeits - Ordinance fines from County	1,900	1,904	1,904	-
Interest earned	35,000	20,429	31,998	11,569
Miscellaneous	22,887	16,078	7,527	(8,551)
Total revenue	1,745,128	1,693,971	1,705,209	11,238

Charter Township of Emmett

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures				
General government:				
Township board:				
Salaries	\$ 9,000	\$ 3,960	\$ 3,985	\$ (25)
Professional fees	16,000	14,696	14,696	-
Board of review	750	950	950	-
Advertising and publishing	1,000	453	453	-
Dues and memberships	5,600	5,834	5,834	-
Miscellaneous	200	150	150	-
Group insurance	160	209	209	-
Social Security	746	378	378	-
Administration fees	1,500	1,362	1,362	-
Total Township board	34,956	27,992	28,017	(25)
Assessing:				
Salaries	83,577	83,533	87,172	(3,639)
Office supplies	1,550	1,171	1,168	3
Social Security	6,393	6,174	6,174	-
Group insurance	27,517	31,520	31,520	-
Dues and memberships	365	365	365	-
Miscellaneous	6,778	4,641	4,639	2
Conferences	1,000	20	20	-
Capital outlay	3,000	2,311	2,311	-
Professional fees	2,000	2,919	2,919	-
Total assessing	132,180	132,654	136,288	(3,634)
Supervisor:				
Salaries	40,951	40,915	42,644	(1,729)
Office supplies	100	224	224	-
Communications	720	570	570	-
Transportation	700	363	363	-
Social Security	3,133	2,974	2,974	-
Group insurance	13,157	11,581	11,581	-
Total supervisor	58,761	56,627	58,356	(1,729)

Charter Township of Emmett

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures (Continued)				
General government (Continued):				
Treasurer:				
Salaries	\$ 52,740	\$ 52,354	\$ 54,450	\$ (2,096)
Computer maintenance	2,025	920	920	-
Office supplies	1,500	656	656	-
Equipment maintenance	100	-	-	-
Conferences and related expenses	400	418	418	-
Social Security	3,718	4,005	4,005	-
Capital outlay	500	-	-	-
Group insurance	30	30	23	7
Total treasurer	61,013	58,383	60,472	(2,089)
Building Authority:				
Supplies	3,200	2,635	2,635	-
Telephone	1,900	1,842	1,842	-
Postage	12,000	12,309	12,309	-
Building and equipment maintenance	9,720	15,330	15,335	(5)
Electricity	4,000	3,668	3,668	-
Heat	3,000	3,100	3,102	(2)
Water and sewer	800	897	897	-
Refuse service	1,500	1,445	1,445	-
Miscellaneous	500	392	392	-
Total Building Authority	36,620	41,618	41,625	(7)
Elections:				
Salaries	20,763	21,394	22,003	(609)
Social Security	1,131	1,110	1,116	(6)
Office supplies	2,759	1,298	1,298	-
Miscellaneous	7,420	3,218	3,218	-
Total elections	32,073	27,020	27,635	(615)

Charter Township of Emmett

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures (Continued)				
General government (Continued):				
Clerk:				
Salaries	\$ 68,036	\$ 69,013	\$ 71,877	\$ (2,864)
Office supplies	800	160	160	-
Conferences	500	246	246	-
Dues and memberships	300	315	315	-
Social Security	5,205	4,959	4,959	-
Group insurance	25,377	23,270	23,270	-
Miscellaneous	3,550	2,276	2,276	-
Total clerk	103,768	100,239	103,103	(2,864)
Planning and zoning boards:				
Salaries	66,952	66,048	68,694	(2,646)
Zoning board expenses	2,250	2,160	2,189	(29)
Group insurance	3,834	3,871	3,871	-
Legal	5,000	4,843	4,843	-
Social Security	4,847	5,153	5,153	-
Maintenance	1,600	265	265	-
CAD mapping project	1,000	-	-	-
Miscellaneous	5,750	2,098	2,098	-
Printing and publishing	1,750	849	849	-
Total planning and zoning boards	92,983	85,287	87,962	(2,675)
Data processing:				
Outside services	5,500	2,030	2,030	-
Capital outlay	3,000	2,358	2,358	-
Total data processing	8,500	4,388	4,388	-
Total general government	560,854	534,208	547,846	(13,638)

Charter Township of Emmett

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures (Continued)				
Public safety:				
Salaries	\$ 27,131	\$ 26,778	\$ 27,903	\$ (1,125)
Building and zoning inspector	60,000	41,213	42,512	(1,299)
Electrical and mechanical inspector	33,000	27,843	30,312	(2,469)
Plumbing inspector	13,500	7,867	7,867	-
Office supplies	2,200	1,066	1,066	-
Communications	1,000	491	491	-
Legal	1,000	271	271	-
Social Security	10,223	7,779	7,779	-
Group insurance	7,364	7,461	7,461	-
Equipment maintenance	-	179	179	-
Printing and publishing	-	257	257	-
Inspectors' plan review	1,200	-	-	-
Miscellaneous	200	-	-	-
Outside services	1,600	1,047	1,047	-
Total public safety	158,418	122,252	127,145	(4,893)
Roads, highways, and street lights:				
Street lights	122,393	130,684	130,684	-
Roads - Improvements	-	54,916	54,917	(1)
Total roads, highways, and street lights	122,393	185,600	185,601	(1)
Cemetery:				
Maintenance	24,100	24,222	24,222	-
Grave openings	3,000	4,770	4,770	-
Miscellaneous	1,200	1,114	1,114	-
Total cemetery	28,300	30,106	30,106	-

Charter Township of Emmett

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures (Continued)				
Other:				
Retirement pension	\$ 24,847	\$ 23,918	\$ 23,918	\$ -
Insurance	26,565	27,463	27,463	-
Miscellaneous	10,000	35,854	35,856	(2)
Total other	61,412	87,235	87,237	(2)
Total expenditures	931,377	959,401	977,935	(18,534)
Excess of Revenue Over Expenditures	813,751	734,570	727,274	(7,296)
Other Financing Sources (Uses)				
Operating transfers in	-	50,000	50,000	-
Operating transfers out	(798,158)	(798,158)	(872,211)	(74,053)
Total other financing sources (uses)	(798,158)	(748,158)	(822,211)	(74,053)
Net Change in Fund Balance	15,593	(13,588)	(94,937)	(81,349)
Fund Balance - Beginning of year, as restated	511,614	511,614	511,614	-
Fund Balance - End of year	<u>\$ 527,207</u>	<u>\$ 498,026</u>	<u>\$ 416,677</u>	<u>\$ (81,349)</u>

Charter Township of Emmett

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Public Safety Year Ended March 31, 2008

	Public Safety Fund			Variance with
	Original Budget	Amended Budget	Actual	Amended Budget
Revenue				
Taxes	\$ 834,711	\$ 811,200	\$ 811,130	\$ (70)
Fines and forfeitures	107,800	83,781	83,781	-
Charges for services	8,600	8,266	8,266	-
Contributions	47,003	46,596	46,596	-
State sources	54,650	12,237	12,237	-
Miscellaneous	12,211	2,878	2,878	-
Total revenue	1,064,975	964,958	964,888	(70)
Expenditures				
Insurance	86,068	89,324	89,324	-
Salaries	1,083,973	1,109,387	1,116,108	(6,721)
Operating supplies	12,000	12,085	12,085	-
Office supplies	4,500	4,021	4,021	-
Uniforms, accessories, and cleaning	14,500	12,415	12,415	-
Holiday pay	31,446	27,461	28,594	(1,133)
Conferences and related expenses	4,500	4,268	4,450	(182)
Legal	36,000	37,045	37,045	-
Miscellaneous	47,035	62,480	62,198	282
Capital outlay	16,500	-	13,136	(13,136)
Social Security	82,004	86,136	86,121	15
Group insurance, physicals, and pensions	338,013	284,159	284,159	-
Central dispatch	106,500	106,534	106,534	-
Total expenditures	1,863,039	1,835,315	1,856,190	(20,875)
Excess of Expenditures Over Revenue	(798,064)	(870,357)	(891,302)	(20,945)
Other Financing Sources -				
Operating transfers in	798,158	798,158	872,211	74,053
Net Change in Fund Balance	94	(72,199)	(19,091)	53,108
Fund Balance - Beginning of year	19,091	19,091	19,091	-
Fund Balance - End of year	<u>\$ 19,185</u>	<u>\$ (53,108)</u>	<u>\$ -</u>	<u>\$ 53,108</u>

Charter Township of Emmett

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Public Safety Special Revenue Year Ended March 31, 2008

	Public Safety Special Revenue Fund			Variance with
	Original Budget	Amended Budget	Actual	Amended Budget
Revenue				
Property taxes	\$ 321,005	\$ 312,629	\$ 312,640	\$ 11
Interest income	6,300	6,610	6,610	-
Miscellaneous	-	1,440	1,440	-
Total revenue	327,305	320,679	320,690	11
Expenditures				
Debt retirement	71,072	71,072	71,072	-
Insurance	26,000	21,152	21,152	-
Vehicle maintenance	59,962	77,364	73,824	3,540
Transportation	64,500	69,602	69,602	-
Capital outlay	56,050	44,719	44,719	-
Communications	7,900	4,128	4,128	-
Professional fees	-	29,191	29,191	-
Miscellaneous	-	1,207	1,207	-
Total expenditures	285,484	318,435	314,895	3,540
Net Change in Fund Balance	41,821	2,244	5,795	3,551
Fund Balance - Beginning of year	292,518	292,518	292,518	-
Fund Balance - End of year	<u>\$ 334,339</u>	<u>\$ 294,762</u>	<u>\$ 298,313</u>	<u>\$ 3,551</u>

Charter Township of Emmett

Note to Required Supplemental Information March 31, 2008

Note - Budgetary Information

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at March 31, 2008 has not been calculated.

The budget is adopted on a line-item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law.

- The Township had the following significant budget overrun:

	Budget	Actual
General Fund - Transfers Out	\$ 798,158	\$ 872,211

Charter Township of Emmett

Report to the Township Board

March 31, 2008



Plante & Moran, PLLC

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plantemoran.com

To the Township Board
Charter Township of Emmett

We have recently completed our audit of the basic financial statements of the Charter Township of Emmett (the "Township") for the year ended March 31, 2008. In addition to our audit report, we are providing the following letter of increased audit communications, required audit communication, summary of unrecorded possible adjustments, recommendations, and informational comments which impact the Township:

	<u>Page</u>
*Report on Internal Control	2-4
Results of the Audit	5-7
Summary of Unrecorded Possible Adjustments	8

We are grateful for the opportunity to be of service to the Charter Township of Emmett. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Plante & Moran, PLLC

June 11, 2008

Report on Internal Control

June 11, 2008

To the Township Board
Charter Township of Emmett

Dear Board Members:

Beginning with last year's audit, national auditing standards call for auditors to communicate matters to the governing body that may be useful in its oversight of the Township's financial management. Specifically, they require us to report internal control issues to the governing body that may be relatively minor, in order to allow it to evaluate their significance, and make any changes it may deem appropriate. In general, these are items that would have been discussed orally with management in the past. The purpose of these new standards is to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this report on internal control will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of the Charter Township of Emmett as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Bank Statement Reconciliations

During the audit, we noted bank reconciliations are not easily understood and line items are not labeled. We recommend the deputy clerk formally prepare bank reconciliations in a standard, written format (possibly the back side of the bank statement itself) for ease of review and better documentation of activity. The reconciliation should start with the bank balance and end with the reconciled general ledger balance. We also recommend the clerk review all bank reconciliations on a monthly basis, and document the review by initialing and dating the reconciliation.

Wire Transfers

Currently wire transfers are initiated by a phone call to the bank from the treasurer. In addition, the deputy clerk typically initiates the MERS transfer. Much like the dual signatures required for written checks, sound internal controls require two individuals for the approval of wire transfers. Typically, banks require a written request with signature approval from authorized individuals. To minimize errors and liability in wire transfers, it is recommended a second individual review the nature and amount of the transfer prior to the actual transfer. Additionally, written approval and authorization should be retained for each transfer.

Independent Review of Bank Activity

During the audit, we noted there is no independent review of cash activity received directly from the bank. Due to the limited number of individuals recording and processing cash transactions and due to the lack of bank reconciliation reviews, we recommend an individual independent from the receipting and recording of cash received review bank statements on a periodic basis prior to distributing to the deputy clerk or treasurer for reconciliation. This will help strengthen internal controls over cash.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Comments Repeated from Previous Year

Audit Adjustments - Material Weakness

As part of the audit process, several adjustments, including adjusting the financial records from cash to accrual basis and the prior period adjustment to properly record state-shared revenue, were recommended to management and made to adjust various general ledger balances as of March 31, 2008. These journal entries were necessary in order for the financial statements to be materially correct. In addition, one possible adjustment was identified, but not recorded, which was to record accrued vacation in the government-wide statements.

We also identified the following other item not considered to be a significant deficiency, but which we consider to be a control deficiency:

Flex Account and Ameriplan Account

During the audit, we noted the flex and Ameriplan cash accounts are not recorded on the general ledger. These cash accounts are part of the Township and should be recorded within the Township's general ledger.

This communication is intended solely for the information and use of management, the board, and others within the Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink that reads "Sharon L. Vargo". The signature is written in a cursive, flowing style.

Sharon L. Vargo, Partner

Results of the Audit

June 11, 2008

To the Township Board
Charter Township of Emmett

We have audited the financial statements of the Charter Township of Emmett for the year ended March 31, 2008 and have issued our report thereon dated June 11, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 12, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Township. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on April 16, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Charter Township of Emmett are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended March 31, 2008, except for the treatment of the April state-shared revenue payment recorded as a receivable as of March 31, 2008. The sales tax period covered under the April payment is for February and March; thus, it should be a receivable as of year end.

We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The following material misstatements detected as a result of audit procedures were corrected by management. One entry was made to the General Fund, Public Safety Special Revenue Fund, and Water and Sewer Fund to adjust cash and due to/due from balances to actual for transfers not made prior to year end. A second entry was made to the Bradford Special Debt Fund to adjust the deferred revenue and special assessment revenue to actual. A third entry was to record depreciation expense in the Water and Sewer Fund. Finally, a fourth entry was made to remove the negative cash balance of the Public Safety Fund as the cash is pooled with the General Fund. The final entry was a prior period adjustment to properly record state-shared revenue.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management's Representations

We have requested certain representations from management that are included in the management representation letter dated June 11, 2008.

Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

In the normal course of our professional association with the Township, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Township, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Township's auditors.

Other Information in Documents Containing Audited Financial Statements

Our responsibility relates to the Township's financial statements and other information as identified in the auditor's report. We have no responsibility for any other information that may be included in documents containing those audited statements. We do not have an obligation to perform any procedures to corroborate other information contained in these documents.

This information is intended solely for the use of the Township board and management of the Charter Township of Emmett and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in cursive script that reads "Sharon L. Vargo".

Sharon L. Vargo, CPA
Partner

Client: Charter Township of Emmett
 Opinion Unit: Governmental Activities
 Y/E: 3/31/2008

SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

Increase (Decrease)

Ref. #	Description of Misstatement	Assets	Liabilities	Net Assets	Revenue	Expenses
Known Misstatements:						
AI	To record accrued vacation		\$ 44,561			\$ 44,561
Estimate Adjustments:						
	None					
Implied Adjustments:						
	None					
		\$ -	-	\$ -	\$ -	-
	Combined effect	\$ -	\$ 44,561	\$ -	\$ -	\$ 44,561